

<b>15th International Roundtable on Business Survey Frames</b>
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<div> <b>Session No 3</b>  <b>Paper No 2</b>  <b>Arto Luhtio, Eurostat, European Union</b> </div>
<b>Profiles of OECD Business Registers</b>

## 1. Introduction

The document presents the state of the art of the business registers in the OECD countries. It gives information on the sources used, on the stock of enterprises, legal units and local units, as well as the employment and turnover. Basic information on enterprise groups and their employment is enclosed. The variables in the registers are covered. Information on the quality of registers is enclosed where available, although the measures to obtain data on quality are different.

### The Inquiry

The information is based on Eurostat annual inquiry on business registers, which concerns 15 EU Member States, 3 EFTA and 13 EU Candidate Countries. In 2001 UN/ECE decided to send the same inquiry to their other member countries in order to have this information available for whole Europe, USA and TACIS countries (the former Soviet Union). Further it was agreed between Eurostat and OECD to send the inquiry to the remaining 6 OECD countries, thus covering almost all countries participating in the Roundtable (information on ECE countries not belonging to OECD was presented in a joint Eurostat/ECE meeting in June 2001 but is excluded from this presentation).

Generally only the replies from this year are taken into account. Although there is some information available from previous years for most of the countries, which did not reply this year (United States, Greece and Luxembourg), this has not been included (with few exceptions).

### How to use the results

The results should not be used to criticise any country, where there are missing units, variables, etc. It is hoped that the information could be used in a constructive way, to give input how the registers could be improved by using additional administrative sources, adding new important variables, improving the coverage, etc. This is most useful for countries, which are in a construction or revision phase of their register (e.g. Japan, Mexico and Turkey), but as no business register is perfect, there is always something to learn even for the most advanced countries. The results are important in monitoring the situation of business registers in different countries, their contents, coverage and treatment. Highlighting differences serves the purpose to discuss and find solutions for problems and to work towards harmonised registers.

As the information is to some extent confidential, the results are mainly presented in powerpoint graphs, where the exact figures are omitted. This text is mostly explanatory and complements the powerpoint presentation, a more detailed analysis was not possible due to time constraints. The Annex, where the questionnaire is presented, is necessary for those countries, which did not participate in the inquiry.

## 2. Sources for statistical business registers

### Most important sources

The most important sources are tax sources in EU, EFTA and Candidate countries, as well as in Australia, New Zealand (and United States). In Japan and Mexico feedback from surveys and economic census information are the most important sources.

The most widely used is value added tax, which is used in all EU countries and most other countries. Social security data is used in two third and published business accounts in about half of EU. Central Bank data and Customs or Excise data are as well used by about half of the countries.

### Company registration

The requirements and practices of company registration vary from one country to another and a project to harmonise these across the EU is ongoing. The focus is to harmonise the legal procedures in the company registration and thus facilitate the creation of EU internal market. However, even now the company registers (or trade registers, or juridical listings, or whatever they are called) are used in many countries, as well as the Chambers of Commerce registers. Private sources like Dun&Bradstreet are used especially for enterprise groups.

The administrative registers have in many countries been developed into inter-administrative (single) business registers, which are naturally a most important input of statistical business registers. Other countries are in the process of developing (or studying) single business registers.

### Variation of sources

Register update surveys are naturally used universally. Feedback from other surveys are also very generally used to evaluate the quality, in some countries also to update the register under certain clearly defined conditions.

Many other sources are used, often to update a certain part of the register, certain activities or characteristics. The number of sources has generally increased over the years with the development of the registers. Japan and Mexico have naturally fewest sources, in the EU the number of sources varies between 4 (Ireland) and 11 (Finland).

## **3. Number of units in business registers**

The numbers of four units are asked in the inquiry: legal units, enterprises, local units and enterprise groups. According to the 2001 figures, there are over 21 million enterprises and 24 million local units in the EU. The numbers have grown by about 1 million per year due to both real increase and the increase of coverage in the registers. The number of persons employed in the EU business registers is about 115 millions.

### Coverage

The enterprise and employment figures are not exact harmonised figures and they are too low in many countries. The number of enterprises may be too low due to missing smallest enterprises, or missing certain activity sections (agriculture or government units). The number of persons employed is in some countries also too low due to lack of coverage of these activities or due to missing working entrepreneurs. On the other hand, in many countries the figures are already close to the real situation. An interesting example of a validation process is the checking of the persons employed with the figures from the labour force survey in the United Kingdom.

### Availability of units

Legal units, enterprises and local units are available almost universally in EU and Candidate countries. The ratio between enterprises and local units, given above for EU, is very similar in other countries except in Japan, where the number of local units is more than 3 times bigger than the number of enterprises. In Mexico only the number of local units is available.

Legal units are defined in national legislation, they are country-specific and their relation to enterprise varies. Enterprises, local units and enterprise groups are defined in the EU legislation, although not very strictly, which leads to a need for operational rules. In some countries enterprises often consist of more than one legal unit and the delineation of enterprises is done on a regular basis according to certain rules. In other countries (active) legal unit generally equals an enterprise, only some large and complex enterprises consist of more than one legal unit. During the last couple of years some countries have started to delineate large and complex enterprises and others are studying this. This is an extremely difficult issue, as studying the delineation can also lead to a conclusion that the improvement of statistics may also be considered too small to justify the additional cost involved.

### Persons employed and turnover

The two major stratification variables, persons employed and turnover, are available almost everywhere, persons employed in all countries. Turnover is available in all EU (Spain has only turnover size classes, but has started work to include the actual figure), but missing in some Candidate and non-European countries (Australia and New Zealand use GST sales and purchases).

Turnover may be difficult to obtain for the smallest enterprises and newly born enterprises and some countries have created estimation methods for this.

#### Public enterprises

Information on public enterprises in the EU has been produced as from the 1970's by European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP), with few years' intervals. The impact of public enterprises was highest in the early 1980's and has after that steadily declined to about a half: the average in EU is now 7 % of employment (for value added and investments it is slightly higher) and it varies from 2.5 % to 12 % .

Eurostat co-operates with CEEP and we can compare the business register public enterprise figures with the CEEP figures. Figures on public enterprises are available in almost all European business registers and in Australia, but in some countries their coverage doesn't seem to be yet good enough. Another problem is the different treatment of units, especially government units, which are not included in the CEEP figures (which cover only market), neither in many business registers (or they are included in business registers but not regarded as public enterprises).

#### **4. Variables in business registers**

In the inquiry only variables, compulsory or optional, included in the EU business register regulation are asked. The registers may include other variables, although generally very few. Perhaps the most common is the SNA institutional sector classification.

In 2001 the question on variables was changed in order to include not only the number of units, but also the reference period and quality measurements. The latter are quite rare according to the results. There was a problem with some replies, because some countries gave the total number of units as the number, for which the variable was available. The draft instructions tried to correct this unfortunate wording, which had been used for a number of years, and part of the countries changed their practice accordingly giving the real number of units, for which the variable exists in the register. The instructions for filling in the questionnaire will be revised to make this clear.

As in many cases the variable should be available for all units (identification, principal activity, etc.), in the power point presentation only those cases are included where the number of units should be considerably lower than the total (and thus give some real information).

#### Legal unit variables

The variables required for legal units in the EU business register regulation are generally well available in almost all EU countries and quite well also in EFTA , Candidate countries and in Australia and New Zealand.

In Japan, Mexico and Ireland legal units are not applied. This is not a problem as such, but many important variables: legal form, accounts, public undertaking and links to other files like customs files, refer to legal unit, rather than to enterprise.

#### Local unit variables

The variables of local units are also relatively well included in most countries (in Czech and Slovak republics local units are not yet available). Considering the regional importance of local units, the missing information on employment in 5 European countries is the most important shortcoming. The employment figures are available in all non-European OECD countries.

#### Enterprise variables

The most important variable missing for enterprises is secondary activities. It is missing in 3 EU countries, in several other European countries as well as in most countries outside Europe. In Australia it is available.

#### **5. Enterprise groups**

The enterprise group question was included in the inquiry for the first time and the results were very promising. In the first slide of the powerpoint presentation the availability of the enterprise group information from the special inquiry last year are included, thus giving also the information the non-respondent countries this year (Canada, Luxembourg and United States; the results were presented at the Roundtable last year).

#### Enterprise group availability

9 EU countries already have information on enterprise groups. In addition Germany, Spain and Austria are already working on them. EFTA and Candidate countries do not yet have enterprise groups, neither Japan and Mexico. Australia, New Zealand, Canada and USA have enterprise groups.

#### Unharmonised information

There is not yet agreement upon the methodology of enterprise groups, although the work is progressing in several places (OECD should finalise the Manual on Economic Globalisation Indicators in November 2001 and the plan of Eurostat is to have a Chapter on enterprise groups for the Manual of Recommendations available next year). Thus the replies are not harmonised. As some countries have all enterprise groups and others have profiled only the most important ones, the numbers of groups are not comparable. Their share of the total employment is more interesting. The information on all-resident and transnational groups is naturally important.

#### Future

In the EU annual business register working group in June it was agreed to enlarge the enterprise group question next year. The sources for enterprise groups will be monitored regularly in a similar way as for other units. Additional information will be asked for transnational groups according to their nationality, etc. Although this information is not yet very common, monitoring the change in the state of art will give interesting results and also work towards harmonisation.

### **6. Quality of business registers**

A special question on quality was also included in the inquiry in 2001. Other questions give also information on quality but a previous question on whether the quality of certain key variables was high, medium or low (estimation without measurement), had not been considered useful enough to be continued. The replies to the quality question were not as promising as for the enterprise group question. The replies are also delicate and presented without country codes.

#### What can be measured?

The questions mainly concern the inconsistencies between survey results and the register information, differences in activity and employment classification and erroneous identification variables. The percentage of non-active enterprises, which has been included for many years, has a quality aspect. Some (very few) countries have also informed what quality measurements they have concerning different variables.

#### Future

As the methods for the quality measurements are not harmonised, the results are not comparable but give some indications. So far it is preferred to obtain more (though unharmonised) replies instead of asking only for harmonised measurements and receiving only very few replies.

As there is high pressure on the quality information, it has been agreed to continue the exercise, to improve the wording and slightly modify the question in order to be more precise and to ask for more descriptions about the measurements.

### **7. Conclusion**

#### Countries involved

The original idea was to send the Eurostat/UNECE inquiry to all countries participating in the Roundtable. After Eurostat and OECD had agreed to collect the information for all OECD, this included most of the remaining countries, with the exception of China and South Africa. They could not be included in the inquiry due to lack of time.

#### Improvement of the inquiry

There were problems in the inquiry. The instructions were not good enough (although they are improving with experience), which leads to different interpretations. As at least some EU countries are very concerned about confidentiality, the replies cannot be presented in detail (there is also an advantage in this, as the graphical powerpoint presentations are more illustrative than tables with exact figures).

#### Future exercise?

The results are extremely interesting and give information not available elsewhere, but is the exercise worth repeating in the future? Eurostat collects the information annually from EU, EFTA and Candidate countries. UNECE will decide whether they will collect the information again for the next Eurostat/UNECE joint meeting in 2003. OECD needed the information mainly as background information for their work on firm-level statistics and their information needs are very likely to be different in the future. So it might be feasible to repeat the exercise in 2003 concerning all Roundtable participating countries, but only if the non-European countries (or most of them) are committed to that.